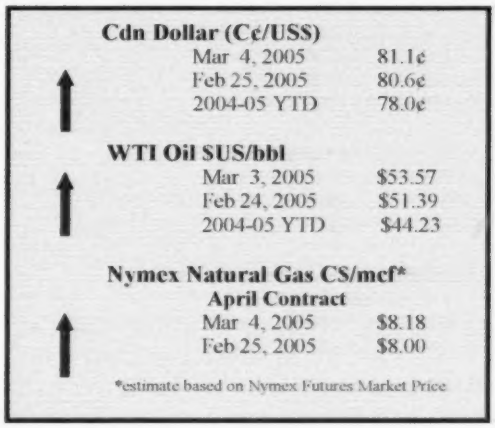
WEEKLY ECONOMIC REVIEW

MARCH 4, 2005

A strong U.S. jobs report highlighted a week of generally positive U.S. economic news. U.S. payroll employment rose by 262,000 in February, the largest gain in four months. With February retail sales growth also exceeding expectations, these developments reinforced a growing market confidence in the near-term outlook for the U.S. economy.

In the fourth quarter of 2004, Canada's economic growth slowed to a 1.7% rate (annualized), in line with expectations. Exports declined for the second consecutive quarter, reflecting the effects of a higher Canadian dollar. However, domestic demand remained very strong, rising at a 4.4% rate (annualized). For all of 2004, the Canadian economy expanded by 2.8%.

The Canadian cattle industry was dealt twin setbacks this week, as a U.S. District Judge issued a preliminary injunction preventing the scheduled March 7 re-opening of the U.S. border to Canadian live cattle under 30 months of age. In addition, the U.S. Senate passed a measure against the border re-opening, although President Bush has promised to veto the measure.



Oil prices reached a four-month high of over $53 US. Markets shrugged off an increase in U.S. oil inventories, focusing instead on concerns about global production capacity, in light of continued strong world demand.

Activity in Alberta's energy sector remained exceptionally strong in February, with an average of 482 rigs drilling. The active rig count was 32% above the latest 10-year average for the month of February. To date in 2005, drilling activity is running 11.1% ahead of the record-high pace set in 2004.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date*
Alberta Rigs Drilling	February 482	3.5%	11.4%	11.1%
Industrial Product Price Index (1997=100)	January	0.5%	3.2%	N/a
Raw Materials Price Index (1997=100)	January	4.5%	12.6%	N/a
U.S. Employment	February	Gain/Loss from Previous Month (#) +262,000	Month/Previous Year's Month (Y/Y) +2,377,000	1.8%
Canadian GDP (millions chained $1997)	4th Quarter 1,137,337	Quarter/previous quarter 0.4%	Quarter/previous quarter (Annualized) 1.7%	Annual Growth (2004 vs. 2003) 2.8%

Source: Statistics Canada, U.S. Bureau of Labor Statistics

**Year-to-date 2005 compared to the same time period in 2004. For example: January-February 2005 versus January-February 2004*